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March 6, 2002            LB 407, 1111

SENATOR BRUNING: Yes, I will.

SENATOR JANSSEN: Senator Bruning, on the provisions of LB 1111, on page 5, removing the compliance audit requirement every four years, a compliance audit to make sure that the...our statute and regulation procedures for the...for the plans are in compliance with federal law, and I'm...I'm a little concerned about removing this check that should...and it will be required periodically. Can you, you know, not being required, at least every four years, could you explain that a little bit to me?

SENATOR BRUNING: Yes, I can. That's an...that's an excellent question, Senator. The most recent compliance audit was this year in 2002, and it showed that NPERS was in complete compliance with all the necessary parts of the statute, and I...and federal law in relation to qualified pension plans. The auditors told us, when they showed up, or told NPERS, you don't need to have an audit this often, other states don't do it, other plans your size don't do it, you don't need to have us in here every four years. It costs about \$100,000 every time you have one of these things. And so if the standard in the industry is to do it every five or six years, there's no particular reason for Nebraska to do it more often, especially given the \$100,000 cost. So when the auditors came in that's what they told us, was we just want you to know, we don't audit other plans like you as often as we audit you. Which is a surprising thing for them to say because they're obviously profiting from it. But...and so NPERS said, you know, good point. If we don't have to spend \$100,000 every four years, maybe we can spend it every five or six. They still have, Senator, a fiduciary duty, which means they are bound by law to make reasonable decisions with regard to that money. So they're still under the gun. It's just a question of how often you want to do the audit.

SENATOR JANSSEN: Thank you, Senator Bruning. I...you know, and how often is this going to be? Are we going to let this slide by for 10-15 years without an audit? Now, I would be comfortable...more comfortable if we did have a...a number in there, Senator. I...if...would you mind if we...we put an amendment on that to...to say every eight years? That would be